

## CHAPTER 18 — REINSTATEMENT OF COVERAGE LOST THROUGH EMPLOYER ERROR

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### **1800 Statutory and Contractual Provisions**

From time to time, an employee misses the open enrollment for group life insurance coverage or later loses coverage due to an error made by the employer. Wisconsin Statutes § 40.70 (7m) permits coverage to be reinstated without requiring that the employee provide evidence of insurability under certain circumstances. The Wisconsin Group Life Insurance Contract provides that:

An application shall be approved beyond the 30-day period after the employee becomes eligible without providing evidence of insurability if all of the following conditions are met:

1. The employer furnishes sufficient information to the Department indicating the employer did not provide an application form, submit premium payments, advise the employee of eligibility or perform other enrollment requirements;
2. The employee files a new *Life Insurance Application/Cancellation/Refusal* (ET-2304) provided by the Department which must be received by the employer within 30 days after the employee first becomes aware of the error; and
3. The Department finds that the employee was denied coverage as a result of employer error as specified in Wis. Stats. §40.70(7m).

If the application is approved, coverage will become effective the first day of the calendar month on or after the date the employer receives the application from the employee. If the error cannot be corrected under the employer error provisions, the employee can obtain coverage by applying only through *Evidence of Insurability* prior to reaching age 55 (see Chapter 7).

The Wisconsin Group Life Insurance Contract further provides:

- In instances where premium payment was instituted but a properly completed application was not received by the employer (within 30 days after the employee becomes eligible) and filed with the Department, the employee's premiums will be refunded since there is no coverage.

- Insurance coverage will be considered canceled if an employee, who is receiving earnings, fails to make required premium payments during a consecutive 60-day period, commencing with the first day for which premiums have not been paid, except where the employer has elected to pay the entire premium for all its employees. Cancellation under this provision shall not preclude the employee from obtaining life insurance coverage after the 60 days have elapsed if premiums were omitted as a result of employer error. A new application for coverage must be filed within 30 days after the employer issues written notice of error to the employee.

## 1801 Types of Employer Errors That May Be Corrected

The following chart illustrates some of the most common errors made by employers and “tips” on how to avoid these types of errors. This chart provides examples of some types of employer errors; however, it is not all-inclusive.

Types of Employer Errors:	How to Avoid These Types of Errors:
Failure to provide life insurance information or an application to the employee within 30 days after the employee becomes eligible for coverage.	Employers are encouraged to develop an orientation checklist to use for all new hires. This checklist would verify that all benefit information/applications were given to the employee, in addition to other tax-related forms. The employee should sign the checklist verifying that they have received all the applications/forms. The employer would retain a copy of the signed checklist in the employee’s personnel file for future confirmation that the employee received all the information listed on the checklist.
Excludes employee based on misinterpretation of eligibility or systematically excludes groups of employees. (Employee includes full-time, part-time, limited term, temporary, project, seasonal, non-represented, substitute teachers, library aides, etc., irrespective of bargaining unit agreements.)	Employers <u>must</u> offer life insurance coverage to all employees provided the employee: <ul style="list-style-type: none"> <li>Has been covered by the Wisconsin Retirement System (or the employer’s qualified private pension plan for non-WRS employers) for six months.</li> </ul> <p style="text-align: center;">AND</p> <ul style="list-style-type: none"> <li>Is under age 70 on the date that coverage becomes effective. (See Subchapter 400-Employee Eligibility Criteria and exceptions).</li> </ul>
Miscalculates the date on which employee will become eligible for life insurance.	A previous service check <b>must</b> be performed whenever you hire a new employee. ETF provides the following methods to help determine when an employee is eligible to participate in the Life Insurance Program: <ul style="list-style-type: none"> <li>Access ETF’s Previous Service Benefit Extranet site (See Subchapter 402-WRS Previous Service Check).</li> <li>Complete a <i>WRS Previous Service Check</i> form (ET-1715) and fax it to ETF at 608-266-5801.</li> </ul>

<b>Types of Employer Errors:</b>	<b>How to Avoid These Types of Errors:</b>
	<ul style="list-style-type: none"> <li>Call the Employer Communication Center at 608-264-7900 and request a previous service check.</li> </ul>
Unaware of WRS eligibility date, and reports WRS enrollment late.	<p>Employers should continually monitor an employee's hours worked when the employee is determined not to be initially eligible for WRS. (See Subchapter 302 of the <i><b>WRS Administration Manual-Employees Not Eligible for WRS on Date of Hire</b></i>).</p> <p>NOTE: <b>All</b> WRS-eligible employees <u>must</u> be offered life insurance coverage.</p> <p>The employee must apply within 30 days of being informed of insurance eligibility.</p>

## **1802 How to Correct an Employer Error**

When the employer becomes aware that an employee does not have coverage due to employer error, the employer must:

- A. Immediately notify the employee of the error in writing and provide the employee with a new life insurance application. The employee must return the application to the employer within 30 days of being informed of the error. Once coverage has lapsed, a new application is ALWAYS required to reinstate coverage. Employees who are on leave of absence when an error is discovered may apply for coverage within 30 days of their return to work.
- B. Send the application to ETF with a letter explaining the error. The letter should answer the following questions:
  1. What is the exact nature of the error?
  2. What evidence exists to show that the employer, not the employee, was responsible?
  3. Did special circumstances cause the error to be made?
  4. How and when was the error discovered?
  5. What was done once the error was discovered?
  6. What corrective action has the employer put in place to ensure that this type of error does not re-occur?
- C. Initiate premium deductions immediately when an application is filed under employer error. Although premiums may be deducted from an employee's salary, coverage is not guaranteed until ETF approves it.

- D. ETF will notify both the employer and employee of approval or disapproval of the coverage. If approved, coverage will be effective on the first of the month on or following the date the employer received the application. The employer must refund any premium deductions made if coverage is not approved.

**1803 Errors Not Eligible for Correction**

The employer error provisions do not apply to errors primarily due to the employee's action or inaction. Examples of such situations include:

- A. Employee is given application materials but forgets to submit completed application.
- B. Employee receives written notice of fringe benefits coverage from the employer but fails to report coverage discrepancies to the employer.
- C. Employee completes cancellation form incorrectly and inadvertently cancels more coverage than was intended. (A cancellation form can be withdrawn only before the effective date of the cancellation.)
- D. Employee terminates employment and fails to apply for continuation of coverage within 31 days after active coverage lapses.

**NOTE: In no event can coverage be reinstated after the employee terminates employment or dies.**

If the error cannot be corrected under the employer error provisions, the employee can only obtain coverage by furnishing satisfactory evidence of insurability prior to reaching age 55 (see Chapter 7).

**1804 Deadline for Reporting of Employer Error**

Errors are resolved individually and there is no single deadline that applies in all circumstances. Employers may use the annual renewal census to verify all employee coverages. Many employees receive an annual fringe benefit statement showing insurance coverage. Employees should promptly report any discrepancy to the employer. If the error is not discovered at the time of the next renewal census or annual fringe benefit statement, the employer must explain any special circumstances that prevented prompt detection of the error.